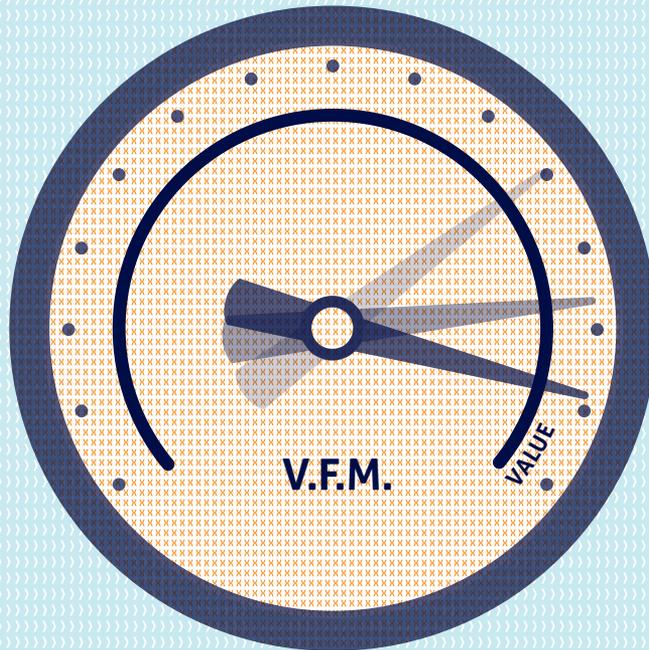


See the change

Transform performance by unlocking
the potential of your suppliers



Proxima

The answer to one of the most complex business issues today

Proxima is the alternative approach to the conventional in-house procurement function. It's one that gives a profoundly different experience to your people, as well as to your suppliers. One that is impossible to replicate in-house. And one that transforms performance because of how it helps you align your third party costs with your corporate aims.

We turn one of the most complex problems facing modern businesses – the extent to which operations are now carried out by suppliers, and the lack of control associated with that – into a massive opportunity. Our aim is simple: to ensure that every penny your company spends works to the maximum to achieve your corporate goals. We want managers across the business to be better informed, have access to better choices, and be enabled to make better decisions.

We improve performance by understanding **non-core** costs in their complete context and then using this insight to see and enable change. We create value for money by acting as the catalyst that turns suppliers from enemies into assets, giving you greater control, innovation, creativity, efficiency and competitiveness.

We operate across the U.S. and Europe, and work across a broad range of industries including business services, consumer products, media and entertainment, healthcare, manufacturing and retail.

Our clients include some of world's largest and most successful companies, such as Activision Blizzard, BG Group, British Airways, CSM, InterContinental Hotels, Universal Music and Morrisons. The value of what we manage runs into the billions.

Why outsource:

Genuine options to enable better decision-making

Solving the stakeholder's dilemma

In **core** cost areas, where a business is buying items to be sold on to the end customer, the business is in the market all the time. It has deep knowledge about the areas. Investment in remaining thoroughly up-to-date is easily justifiable. The business is clearly better served by managing these costs in-house.

However, this leaves thousands of suppliers that a business uses to enable itself to operate, but in areas where it is not so market-savvy. These are the so-called **non-core** areas. The business is not a major player here, they are not deep experts in the area, are not in the market all the time. People dealing with these suppliers cannot be expected to be aware of developments and innovations. These areas include marketing, logistics, professional services, IT, MRO, facilities, packaging, HR and even audit.

But careers often stand or fall on the decisions made in these areas. The areas may be **'non-core'**, but in many cases their contribution is nothing less than fundamental.

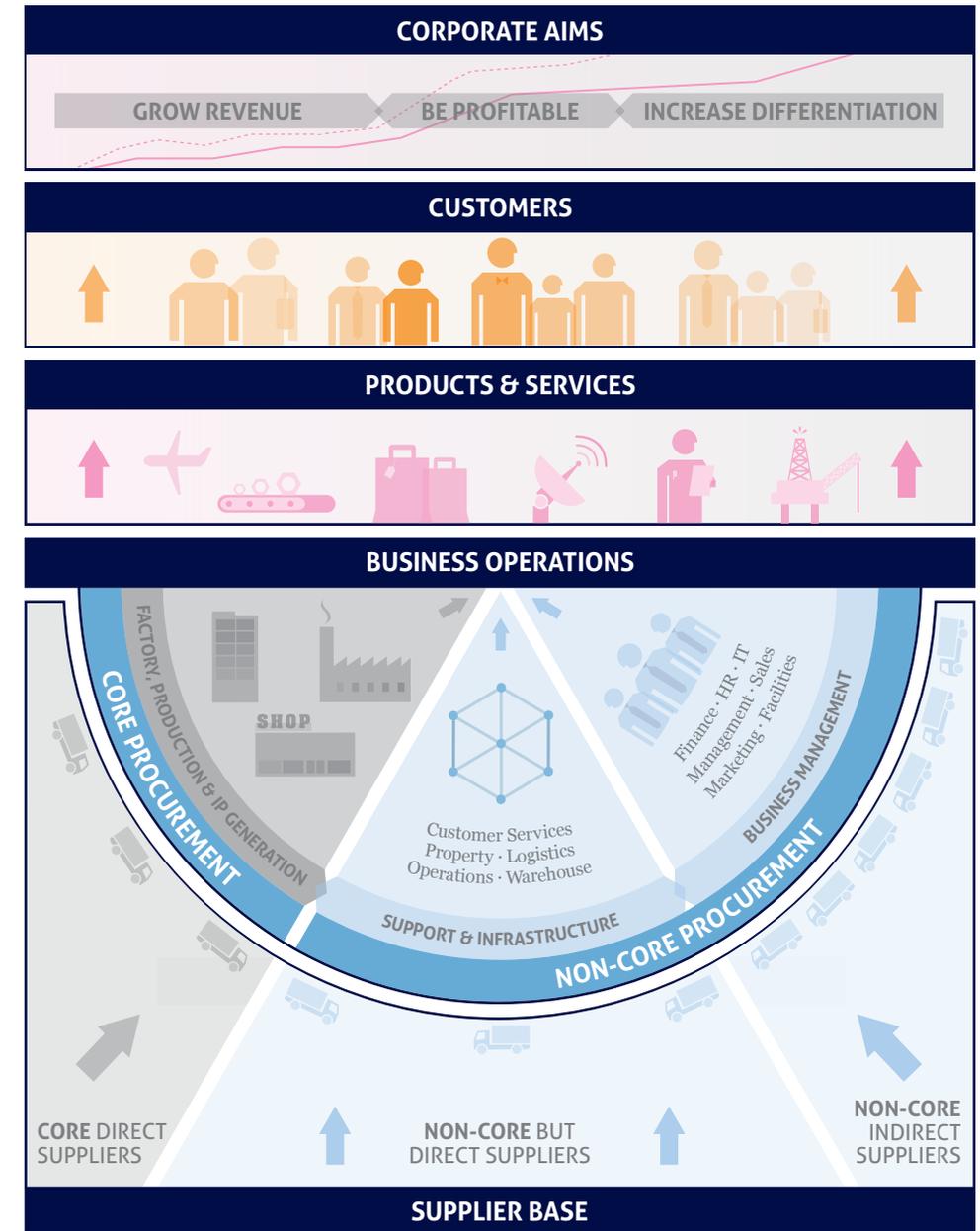
So where do key decision makers go for genuine support to avoid engaging with these suppliers from a position of weakness? Traditionally the choice has been between relying on the in-house procurement function for help... or going it alone. It's hardly a choice at all.

As we shall see, conventional procurement functions suffer exactly the same problem as the stakeholder – too often they also can't keep up. In the modern business the sheer diversity and ever-changing nature of the supplier environment is overwhelming; real commercial insight is virtually impossible in-house.

Why would a stakeholder want support from someone that knows less than they do? They wouldn't. No one is going to seek support unless they are confident that their advisors know more commercially about the supplier and market than they do.

Proxima offers that support. Finally there is a genuine alternative available to the stakeholder.

The modern company



The problem, part I

Many corporate operations have been externalised

The last thing on your mind could be the most profitable

Business is different now. Today, labour costs are just 12.5% of the average company's revenue. Non-labour costs are up to 70%. The modern business consists of a small central core conducting a large virtual orchestra of suppliers. Companies nowadays don't think twice about looking outside of themselves for greater expertise and lower costs on everything from marketing and strategic advice to logistics and IT. And this change has accelerated rapidly in the last two decades.

The problem is that management practice has not kept up with this change.

Understandably attention remains focused on employees. But this needs rebalancing when five-sixths of expenditure is going elsewhere, on suppliers, and our research shows the benefits of this.

Our global study across almost 2,000 large corporations shows that reducing the labour cost base by 1% would increase profitability by only 0.7%. However, reducing the third party cost base by 1% would increase profitability by a massive 4.1% – almost six times greater. That's before we talk about productivity, operational performance, risk, innovation, visibility, and governance.

Nowadays suppliers help define you. Proxima will help them define you better. We will help you tap into and release their potential.



The problem, part II Lack of control

How many accidents waiting to happen does your supplier base conceal?

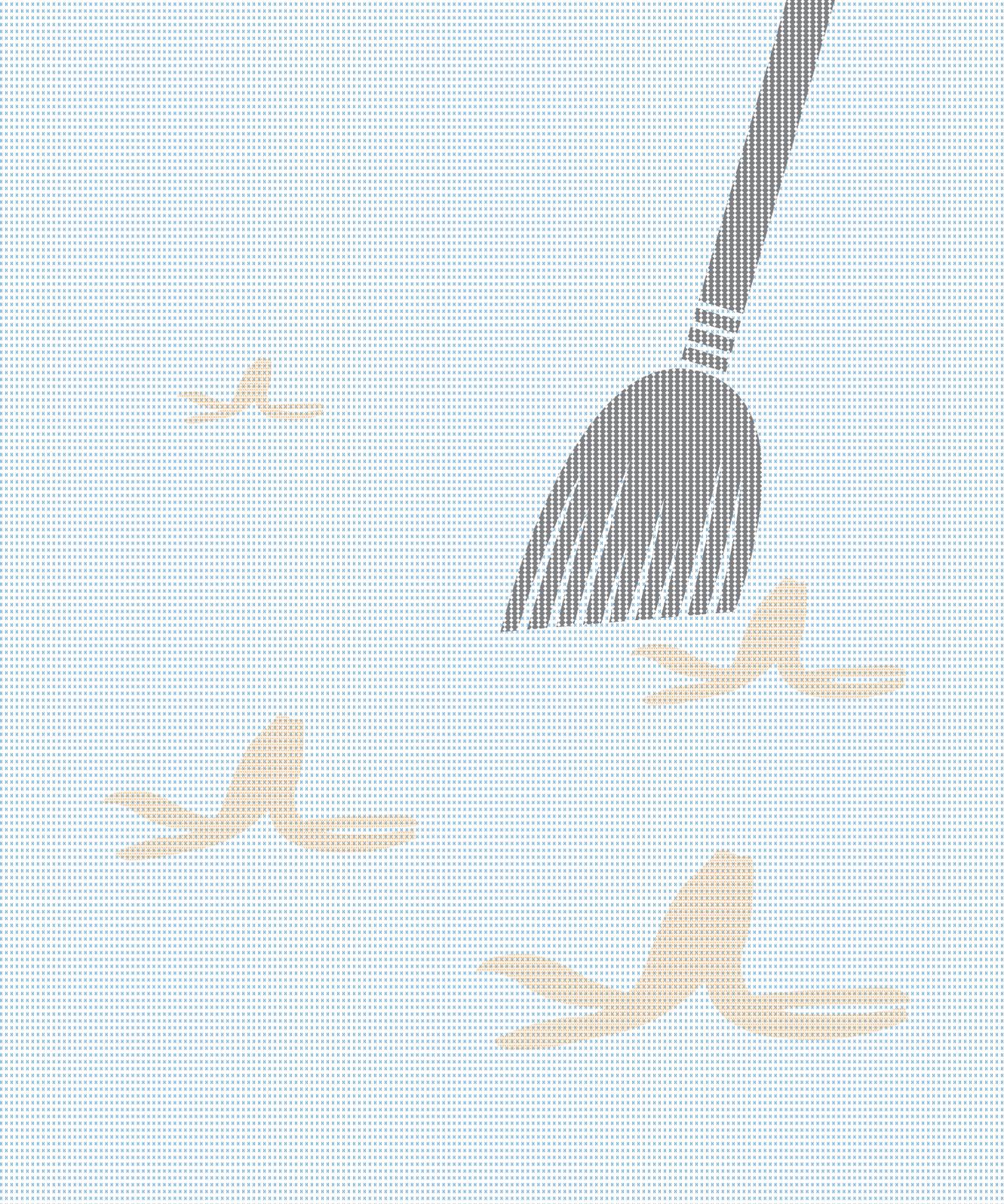
Would you drive your car for two-thirds of the time with your eyes closed? Send your kids to school with earplugs in? Go to court without a lawyer or allow open-heart surgery with a hammer? Without even knowing it, the great majority of business leaders do the equivalent with their organisations.

Who runs the risk of something going wrong in your supplier base, like the wrong professional advice, deliveries arriving late, illegal workers or negligence? You do. Who suffers if governance fails? You do. If your suppliers perform poorly? You again. Nothing demonstrates this more clearly than horsemeat scandals, uncapped oil-wells or garment factory disasters.

Businesses are no longer fully in control. Quite simply their suppliers know more. Your suppliers probably have more information about your supply chain, risk, governance and new innovations than you do.

The problem runs through all functions across the business – it is too vast to manage internally for all but the very biggest companies globally. Putting this in order is, ironically, the ideal job for a third-party specialist.

Proxima will give you control.



The problem, part III
Procurement fails

To realise supplier potential, a new business practice is required

The procurement function is the conventional means of dealing with the 'problem' of suppliers. So how is it faring? It's making the problem worse. It's frequently a discredited and untrusted business function, quite simply because it frequently fails.

It fails because it beats suppliers up, pushes them away, misses opportunities and focuses on the wrong things. It fails to engage on any level other than price. It fails to question the buying itself or think about the context around it. And it fails to relate its activity to corporate objectives. Instead it acts blindly.

So, for example, procurement may preside over a wasteful, unnecessary or ill-judged transaction, but it will still claim to 'save' money on it. All this achieves is to hide poor practice and hold back long-term success.

Internal procurement functions struggle because they simply don't have the resources to tackle the size of the problem.

Supposed savings rarely hit the bottom line in the long term, because suppliers are experts at giving concessions, then clawing them back in other areas, knowing full well that procurement simply does not have the resources to remain vigilant on a long-term basis.

It is understandable that a function which covers so many areas becomes reliant on tender processes to keep up with market specifics, but it means that they slow things down, can be difficult to deal with, don't have insight when it is needed (up front), and over-emphasise price because their knowledge of the rest is insufficient. Conventional procurement is a manifesto of delay and ignorance. It doesn't get near to addressing the real problem.

No wonder executives are frustrated.

Partnering with Proxima addresses the real problem.

—
We look at value.
Conventional procurement only looks at price.

—
We look at behaviour as a source of inefficiency and therefore opportunity.
Procurement focuses solely on negotiation to generate savings.

—
We think long term.
Procurement thinks short term.

—
We ask 'why spend it?'
Procurement simply asks 'how much?'

—
We speed things up.
Procurement slows them down.

—
We address the full range of business issues.
Procurement only addresses procurement issues.

Procurement fails because it bears no relation to any stakeholder's real needs.

Proxima's 'Catalytic Approach' – effectively a new business practice – is proven to succeed because it is built around answering those very needs for stakeholders right across the business. Again and again and again.



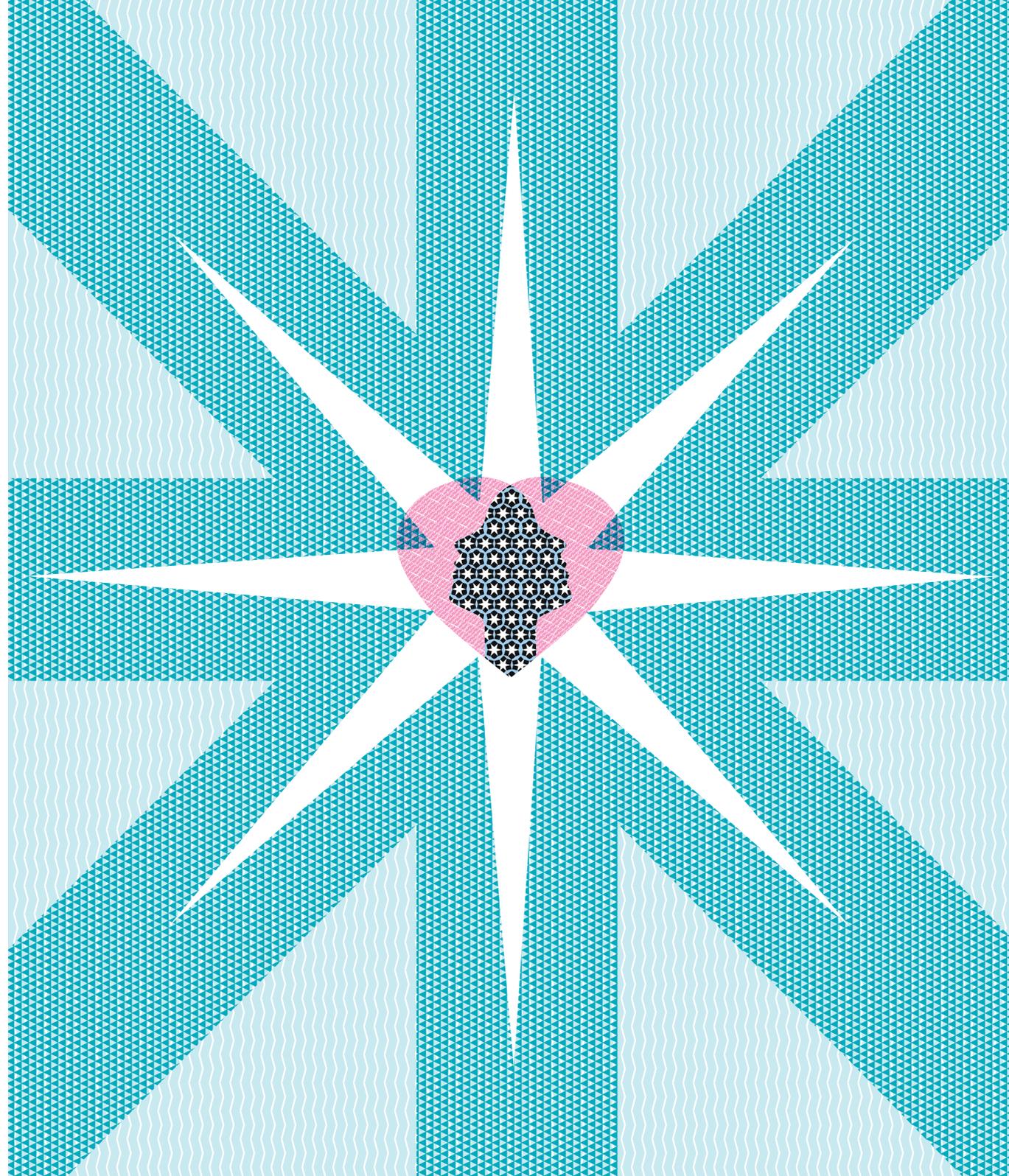
Bringing suppliers in from the cold

A catalyst is any agent that causes change. It speeds up or allows reactions to take place by lowering the energy required for two things to interact and alter themselves as a result. That's the role Proxima plays between our clients and their suppliers.

We bring them together and get them to engage. We see change and enable it. We bring external resources under control and activate them. We change the visibility of non-core spending, and we change behaviour around it, internally and externally. And we change relationships to allow suppliers to actively contribute to an organisation's long-term goals.

In short we realise suppliers' potential, bringing them to the heart of an organisation. What we do does encompass procurement – savings is one of its benefits, after all – but it is so different and so much further reaching than anything else currently on offer that it is effectively a new business practice.

We call it the 'Catalytic Approach'.
Or 'Catalytics' for short.



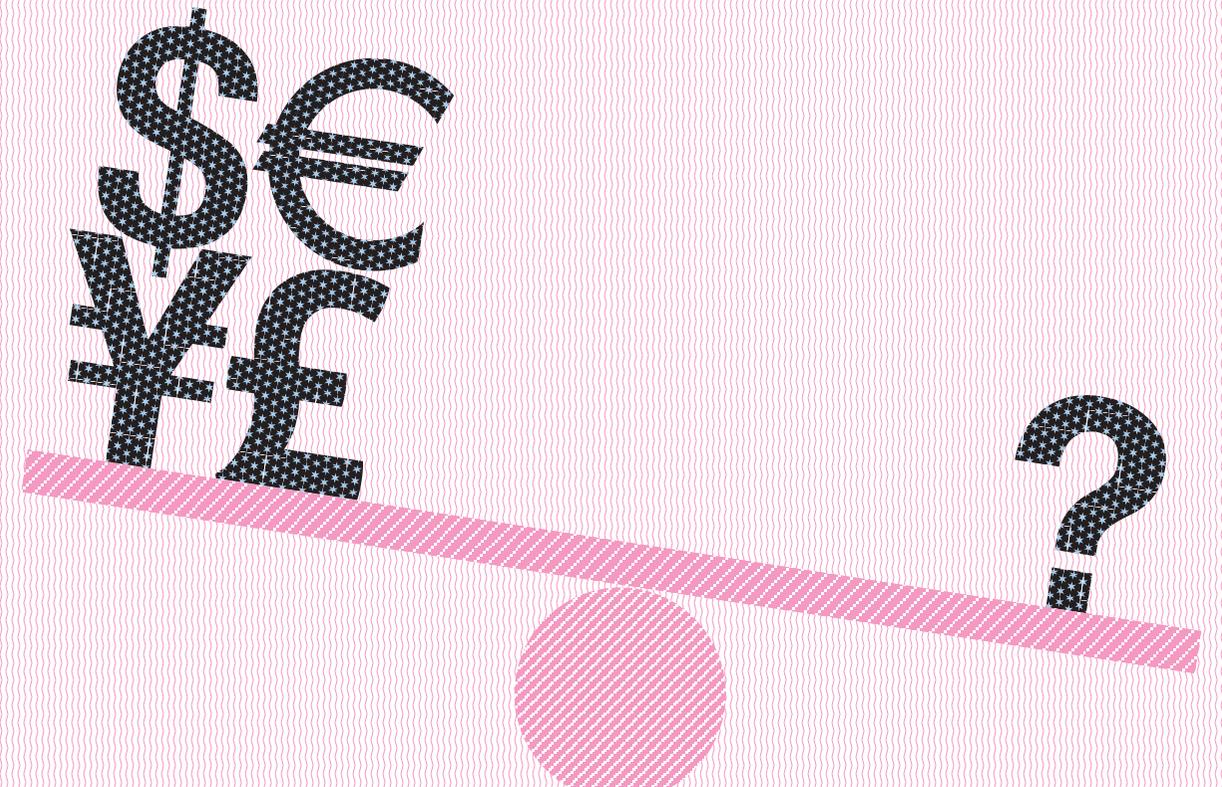
Stop asking 'how much?' Start asking 'why?'

Conventional procurement misses the point that there are savings and value to be found outside of negotiation. Instead of beating up on suppliers, we change the question for everyone. We ask: "Why is money being spent in the first place?" No one spends money to save. Money is spent in order to function, achieve aims, grow and improve. Proxima asks what the real business need is behind transactions. Often a change in behaviour – either internally or with a supplier – can achieve far more money than a change in price.

We take great care to learn our clients' business, working closely with stakeholders to understand their needs, objectives and circumstances. We work together for their benefit and to help win them credit: imposing change is a trait of conventional procurement that rarely works.

Instead, our intimacy allows us to be able to be proactive, and bring creative thinking and focus to transactions long before the deal is done.

We also work holistically, thinking and communicating cross-functionally. The performance of procurement (and many businesses generally) is limited by a tendency to work in silos. We encourage our clients to see beyond this, breaking down barriers to create bigger and wider opportunities.



How we solve it, part III
Aligning world-class infrastructure
and knowledge with partnership

Sharing and applying expertise: seven reasons for success

Knowledge is power. Competitive advantage is all about depth of understanding and specialisation. In a market that is expanding and changing more rapidly than ever, real knowledge is ever harder to come by. We offer access to that knowledge – and the most effective means of applying it.

1. Firstly, we specialise. Different ‘masters of their trade’ are used for each aspect of what we do – business partners, change managers, researchers, negotiators, analysts, experts, and so on. This means there are no ‘Jacks’: maximum expertise providing maximum impact right across audit, facilities management, human resources, IT, logistics, marketing, print, professional services, travel, and more.

2. We offer our clients an immense (and instant) knowledge bank. We call on a history of insight and a deep well of knowledge collected from a wide array of client work across multiple industries: sharing this gives our clients clear advantages. But just as importantly we’re in the market frequently, so our knowledge is always up to date, making our advice as relevant and as effective as it can be – right across the spectrum of business needs. No new learning or information goes to waste: we assimilate and adapt as fast as the market develops.

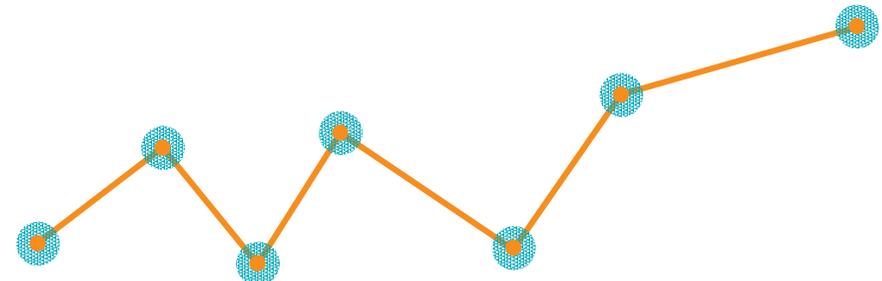
3. Our wide range of market-leading and proven technologies helps to maximise our clients’ performance in several ways, including processing information and relating it to our own knowledge in order to improve insights; introducing new innovations; and getting the very best from our clients’ existing technologies.

4. The scale of our operations, our vast and proven infrastructure, our shared services centre and our tried-and-tested processes mean we can function far more effectively than an in-house team. This gives us great agility and responsiveness, as well as the ability to cope with peaks in demand.

5. Old-fashioned, human values still underpin real success: teamwork, trust, understanding and mutual respect are vital. We work in collaboration with our clients. Progress is faster and longer lasting when relationships are strong. Far from being a threat to stakeholders, we exist to support and strengthen them.

6. What we offer goes beyond consultancy because we are a constant presence on the ground, throughout the change management process and beyond. We’re there to ensure everything is implemented correctly and works as it should.

7. The most powerful results occur by seeing the broader context and looking ahead, and that is how we work with our clients. Aligning third party spend with corporate objectives is not achieved overnight. Sometimes the changes are logical, simple and practical. In other areas they relate fundamentally to culture and cultural change. We’re clear from the start: this is about genuine long-lasting value, not quick fixes. We’re in it for the long haul.



**Faster, stronger, cheaper, smarter, safer...
more effective, more efficient, more profitable**

Costs aligned with aims

Rather than a blind, unquestioning approach solely focused on price, we open eyes as to how suppliers can better support corporate objectives. We change the behaviour of suppliers and clients, so that each gets more out of the relationship by engaging with each other more constructively and creatively.

Profoundly different stakeholder experience

We provide stakeholders with an experience (and results) that are profoundly different to what an in-house function can achieve. It's an approach that is based on insight, and that enables stakeholders to make smarter commercial choices – in fact in many cases we provide choice where it did not even exist before. We give stakeholders access to support and knowledge that in most businesses simply has not existed until now.

Savings

Proxima still does what conventional procurement does: deliver savings. But because our field of operations is far wider, and our thinking is radically different, the savings we generate are many times greater. And it doesn't end there. We also do what conventional procurement fails to do: maintain these savings.

Value for money

'Savings' aren't savings if the money is not being spent wisely in the first place. We prefer the term 'value for money'. This better expresses our aim that every penny a company spends works to the maximum to achieve corporate goals.

Greater control and lower risk

We help to end the 'information asymmetry' between our clients and their suppliers. By opening genuine channels of communication we can provide better visibility, better compliance and better risk management.

Flexibility and speed

The scale of our model, the breadth and depth of our knowledge and the quality of our systems and technology mean that we offer something that conventional procurement cannot: flexibility and speed. You get the information you need when you want it.

Long-term continuity and vision

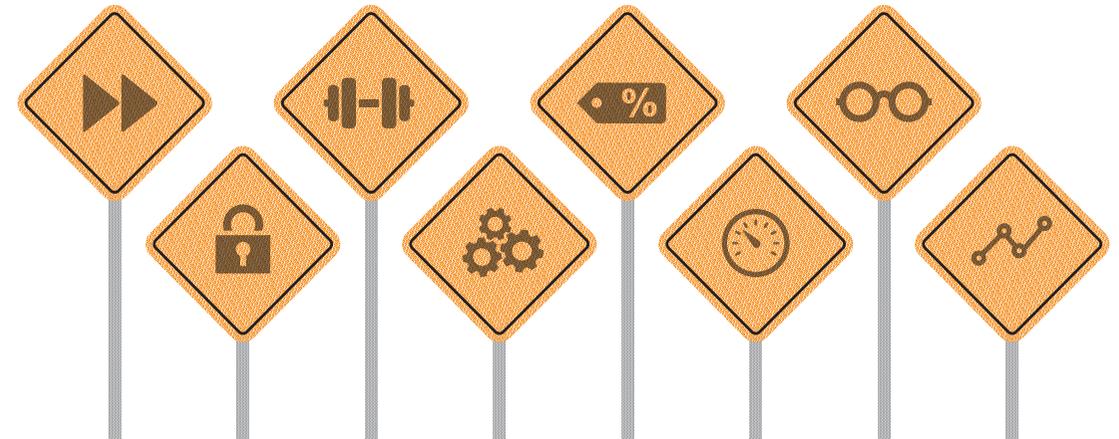
We're not consultants or a conventional business process outsourcer; we're collaborators, there on the ground with you managing change to make it painless and fruitful: we don't leave you to it. Beyond that we use deep understanding and strong relationships to create and deliver a long-term vision.

Innovation

Suppliers hold all the cards when it comes to innovation: they invest heavily in it. We put all of that creative thinking at your disposal.

Scope of effectiveness

We deliver benefits in a broad variety of unexpected areas that conventional procurement simply doesn't reach or even consider. We've helped our clients deal with a forced change in their business model; improved effectiveness in the supply chain; aided post-acquisition integration; unified fragmented operations; improved customer service; and even added value in the auditor relationship.



Proof that it works, example I

From dotted line to bottom line

This is a pen. It's a vital tool for one of our clients, because their success is based on written communications that educate their consumers about the quality of their product. We worked to improve the effectiveness of their entire marketing strategy – an area that conventional procurement rarely goes near. How did we do it?

Back to that pen. Our knowledge of the field meant we were able to show that the contracts our client was signing were not nearly as favourable as they thought. We quickly eliminated several risks, not least raising liability levels by a factor of 20, and ensuring watertight intellectual property rights – even on unproduced materials. These solved the first of several problems our client had not even been aware of.

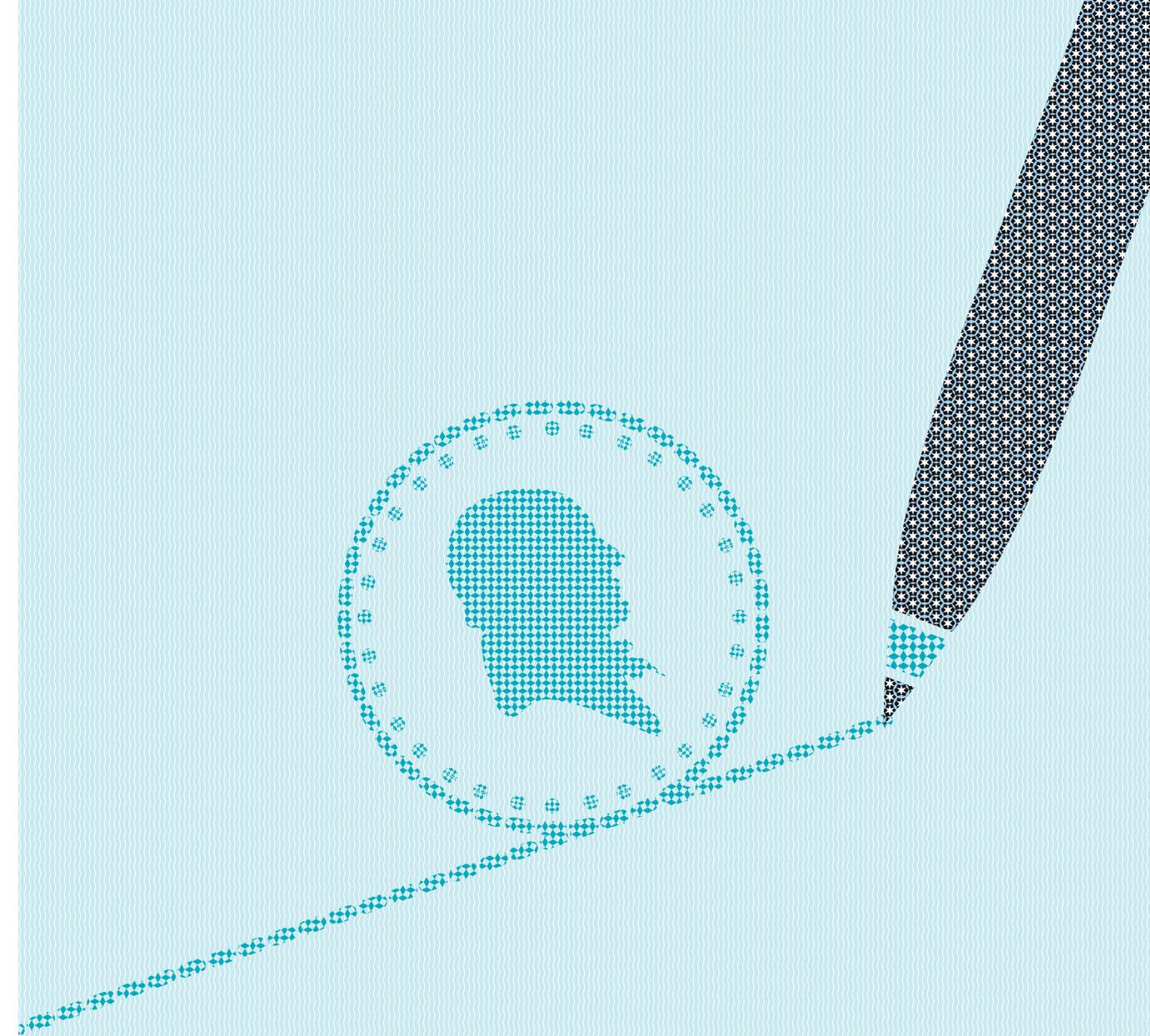
Our Catalytic Approach meant bringing the client, the marketing and procurement functions and the media agency around a table. Together, we helped better define responsibilities, developed a more cohesive long-term strategic plan, and integrated the agency fully.

With clear direction and better communication all round, the agency was galvanised and motivated, and contributed previously untapped knowledge. Targets, aims and briefings were all aligned to business targets.

Next we introduced 'econometric modelling' to both measure the effectiveness of the media placed, and to predict the effectiveness of future spend. The model gets increasingly accurate over time as it learns more about previous media. Naturally it was quickly able to show that our work had paid off: our client has made sales ahead of forecasts on the launch of new product ranges, and now makes a return on their media spend way above what they ever experienced in the past.

For the competition, the writing was on the wall.

Imagine this level of thinking applied right across your business.



Proof that it works, example II

Cold hard proof – the switched on approach

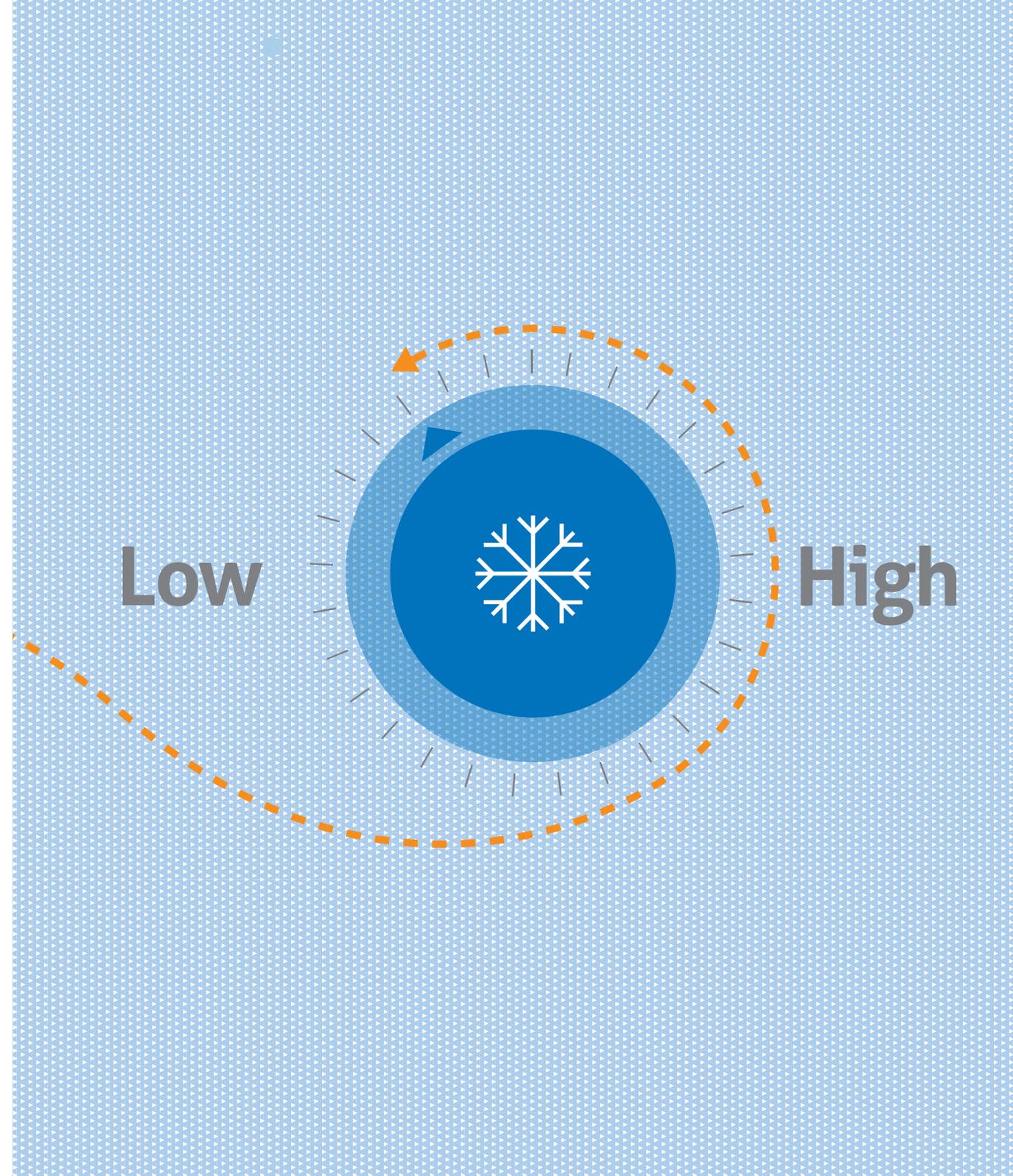
Take a simple retail refrigerator. What can procurement tell you about it? How they negotiated a good price. But that's all they can tell you. They wouldn't have a clue about what happens when you plug it in. They don't care how it is used. Or what it needs to achieve in-store for a national retailer.

They don't see that the supplier could meet business needs and save them far more by talking instead of negotiating. About innovation. About improving maintenance. About lowering downtimes, extending lifespans, lighting.

And could procurement be the catalyst for a simple change like moving the thermometer in order to save a fortune in electricity? No it could not. But for one client of ours, a major retail business, the Catalytic Approach revealed far greater savings in energy than in the cost of the fridge itself.

We applied this level of thinking right across their business, and have delivered hundreds of millions to their bottom line to date. They like the switched on approach.

Imagine this level of thinking applied right across your business.



Proof that it works, example III

Made to measure

This is a badge. It belongs to one of the uniforms that a client of ours uses for its global operations. Conventional procurement would argue it had done rather well in negotiating a good price on the item. It had 37 years' worth in stock.

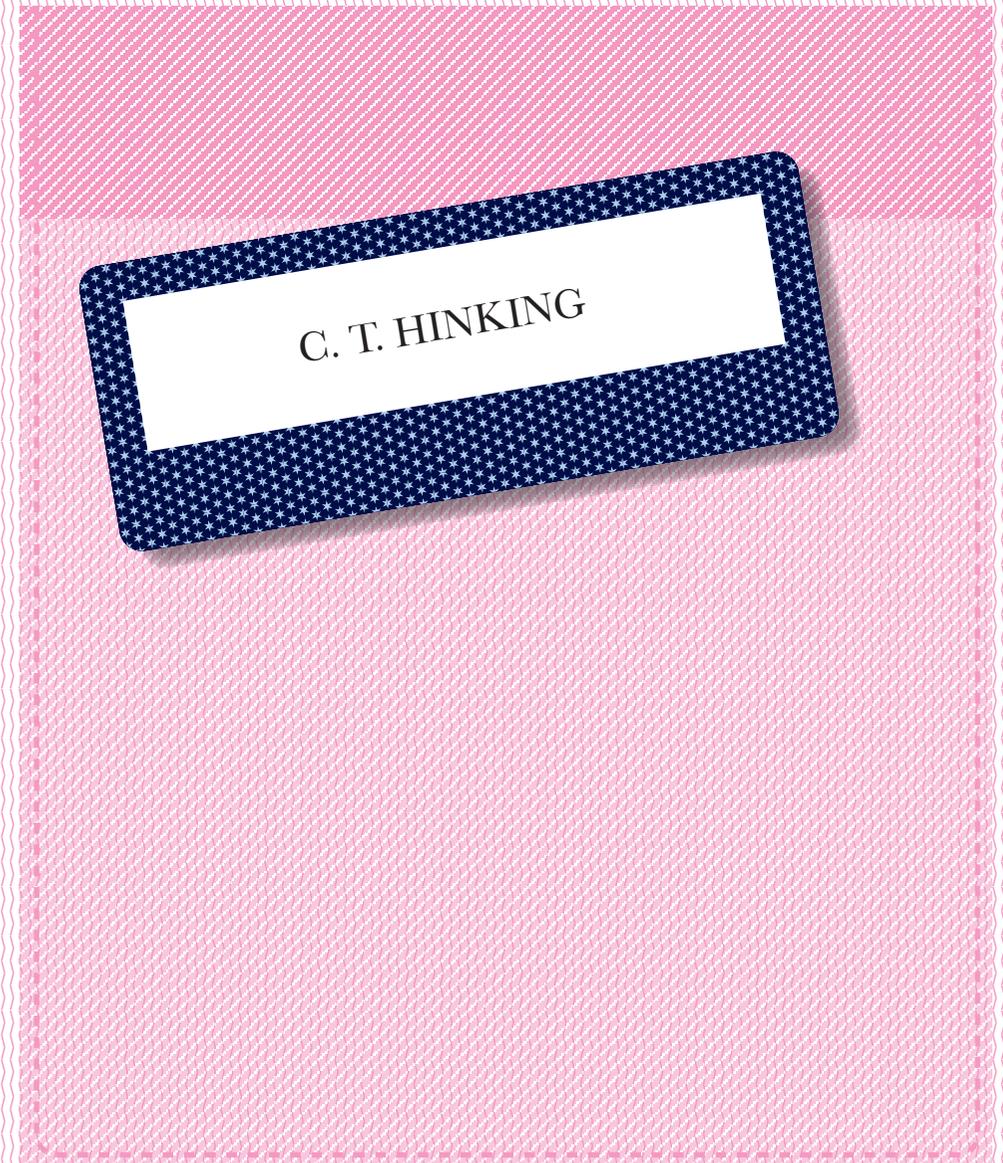
Proxima, having researched and understood the broader picture, could show that this was less of a saving and more like a great way to tie money up unnecessarily, and almost certainly waste it. Our Catalytic Approach quickly demonstrated how the problem went far wider than a single item, revealing how the standard tendering and negotiation of uniforms completely failed to address the real business needs behind the uniforms and their administration, something which had important repercussions in many different areas of the organisation.

When the business needs became clear our work quickly developed on several fronts. By changing from historical to forecasted data we aided suppliers, improved relations and cut costs.

We changed working practice over the ordering of new uniforms, saving time and money. We addressed re-stocking policy, reducing wastage by changing behaviour – like abolishing the policy of always holding maximum stock and replacing it with faster turn-around times and better logistics. We ran open days to help suppliers learn our client's business, improving service. This is merely a selection.

Our Catalytic Approach, bringing supplier and client together in this way, delivered seven-figure financial benefits and improved operations immeasurably, transforming the customer and brand experience, reducing risk and increasing innovation. None of this involved looking at the price paid per unit for uniforms. Now not only do those uniforms fit employees better – not always the case before – but they're perfectly tailored to our client's corporate objectives.

Imagine this level of thinking applied right across your business.



There is nothing quite like being the person who saw the change

These are just three small examples of what our Catalytic Approach can achieve. We can tell countless success stories like these, carried out on behalf of global businesses. What these stories have in common is our ability to see the change and then deliver it. Commercial support must always have more commercial insight than those in the business, be easier to use than stakeholders doing it themselves, and be trusted to provide something that simply is not on offer internally.

That is what Proxima provides. Catalytic Thinking is about spotting the gaps. It is about noticing and rethinking the spaces, working in the areas that people assume are full or fixed, to show that they are anything but. It's about different perception, finding better places to see from, new things and ways to see. If you know where to look, the opportunities to really inspire performance are there in abundance.

We think these are truly exciting times. It is an immense source of pride to have taken some extraordinary clients on journeys that have amazed and delighted them. These journeys continue, because with each passing month and year together we arrive at a better place.

There is nothing quite like being the person who saw the change. Be that person in your own organisation.

Get in touch with Proxima.

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